

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Calhoun County Medical Care Facility	County Calhoun
Audit Date December 31, 2004	Opinion Date February 2, 2005	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |                                                                     |                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                             |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                      |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                             |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])                                                                                                                                               |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                     |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                         |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address	City	State	ZIP
Accountant Signature 			

# **Calhoun County Medical Care Facility**

---

**Financial Report  
with Additional Information  
December 31, 2004**

# Calhoun County Medical Care Facility

---

## Contents

<b>Report Letter</b>	<b>I</b>
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Revenue, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Financial Statements	6-12
<b>Additional Information</b>	<b>13</b>
<b>Report Letter</b>	<b>14</b>
Schedule of Net Service Revenue	15
Schedule of Operating Expenses	16

## Independent Auditor's Report

To the Calhoun County Family  
Independence Agency Board  
Calhoun County Medical Care Facility

We have audited the accompanying balance sheet of Calhoun County Medical Care Facility (a component unit of Calhoun County) as of December 31, 2004 and 2003 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calhoun County Medical Care Facility at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present the management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Plante & Moran, PLLC*

February 2, 2005

# Calhoun County Medical Care Facility

## Balance Sheet

	December 31, 2004	December 31, 2003
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,761,931	\$ 765,806
Residents accounts receivable (Note 3)	812,206	731,993
Taxes receivable (Note 4)	700,323	682,596
Other current assets	137,325	146,337
Total current assets	3,411,785	2,326,732
<b>Assets Limited as to Use</b> (Note 2)	4,921,761	4,848,727
<b>Property and Equipment - Net</b> (Note 5)	2,324,255	2,606,374
Total assets	<b>\$ 10,657,801</b>	<b>\$ 9,781,833</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 134,704	\$ 126,937
Due to County (Note 6)	103,334	103,334
Accrued liabilities and other:		
Accrued compensation and related liabilities	251,917	214,290
Accrued compensated absences	303,810	316,661
Deferred revenue - Proportionate share program (Note 1)	35,730	72,302
Deferred taxes (Note 4)	751,627	743,829
Resident deposits and advances (Note 1)	11,512	11,450
Other accrued liabilities	273,040	206,487
Total current liabilities	1,865,674	1,795,290
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	2,324,255	2,606,374
Restricted - Donor-restricted for specific operating activities	42,558	41,225
Unrestricted	6,425,314	5,338,944
Total net assets	8,792,127	7,986,543
Total liabilities and net assets	<b>\$ 10,657,801</b>	<b>\$ 9,781,833</b>

# Calhoun County Medical Care Facility

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended	
	December 31, 2004	December 31, 2003
<b>Operating Revenue</b>		
Net service revenue	\$ 8,883,836	\$ 8,380,924
Other operating revenue	120,733	34,085
Proportionate share reimbursement	256,404	179,653
Total operating revenue	9,260,973	8,594,662
<b>Operating Expenses</b>		
Salaries	5,514,884	5,519,431
Other expenses	3,648,248	3,719,312
Total operating expenses	9,163,132	9,238,743
<b>Operating Income (Loss)</b>	97,841	(644,081)
<b>Other Income</b>		
Interest income	76,522	59,308
Tax revenue	786,221	761,311
Total other income	862,743	820,619
<b>Excess of Revenue Over Expenses</b>	960,584	176,538
<b>Transfer to County</b>	(155,000)	(155,334)
<b>Increase in Net Assets</b>	805,584	21,204
<b>Net Assets - Beginning of year</b>	7,986,543	7,965,339
<b>Net Assets - End of year</b>	<u><u>\$ 8,792,127</u></u>	<u><u>\$ 7,986,543</u></u>

# Calhoun County Medical Care Facility

## Statement of Cash Flows

	Year Ended	
	December 31, 2004	December 31, 2003
<b>Cash Flows from Operating Activities</b>		
Cash received from residents and third-party payors	\$ 8,862,635	\$ 8,227,700
Cash paid to employees and suppliers	(8,745,277)	(8,952,003)
Cash received from proportionate share program	219,832	143,316
Other operating receipts	120,733	34,085
Net cash provided by (used in) operating activities	457,923	(546,902)
<b>Cash Flows from Noncapital Financing Activities - Property taxes</b>	794,019	776,327
<b>Cash Flows from Investing Activities</b>		
Interest received	67,892	64,304
Patient trust deposits - Net	62	(2,014)
Net cash provided by investing activities	67,954	62,290
<b>Cash Flows from Capital Financing Activities</b>		
Purchase of property and equipment	(86,640)	(169,980)
Transfer to County	(155,000)	(156,000)
Net cash used in capital financing activities	(241,640)	(325,980)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,078,256	(34,265)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,605,436	5,639,701
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 6,683,692</u>	<u>\$ 5,605,436</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Current assets	\$ 1,761,931	\$ 765,806
Assets limited as to use	4,921,761	4,839,630
Total cash	<u>\$ 6,683,692</u>	<u>\$ 5,605,436</u>

# Calhoun County Medical Care Facility

## Statement of Cash Flows (Continued)

A reconciliation of operating income (loss) to net cash from operating activities is as follows:

	Year Ended	
	December 31, 2004	December 31, 2003
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ 97,841	\$ (644,081)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	368,759	403,174
Provision for bad debts	50,000	-
(Increase) decrease in assets:		
Resident accounts receivable	(130,213)	(153,224)
Other current assets	9,012	(71,231)
Increase (decrease) in liabilities:		
Accounts payable	7,767	(104,130)
Other accrued expenses	91,329	58,927
Deferred revenue	(36,572)	(36,337)
Net cash provided by (used in) operating activities	<u>\$ 457,923</u>	<u>\$ (546,902)</u>

There were no noncash investing, capital, and financing activities for 2004 or 2003.

# Calhoun County Medical Care Facility

---

## Notes to Financial Statements December 31, 2004 and 2003

### Note 1 - Nature of Business and Significant Accounting Policies

Calhoun County Medical Care Facility (the "Facility") is a 120-bed, long-term care facility owned and operated by Calhoun County (the "County"). It is governed by the Calhoun County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Enterprise Fund Accounting** - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Basis for Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility now follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those amounts.

**Cash and Cash Equivalents** - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

**Assets Limited as to Use** - Assets limited as to use primarily include assets set aside by the Board of Trustees for future capital improvement, over which the Board retains control, and may, at its discretion, subsequently use for other purposes, as well as assets temporarily restricted by donors for future capital improvements, resident and client services, and scholarships.

# Calhoun County Medical Care Facility

---

## Notes to Financial Statements December 31, 2004 and 2003

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Property and Equipment** - Property and equipment amounts are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense when incurred.

**Compensated Absences** - Compensated absences are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

**Resident Funds** - The Facility maintains various bank accounts for deposits and disbursements for the residents' personal expenses. These funds are assets of the residents. At December 31, 2004 and 2003, the funds totaled \$11,512 and \$11,450, respectively.

**Maintenance of Effort** - Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being paid by the Facility and is recorded in operating expenses. M.O.E. expense amounted to \$44,624 and \$42,945 for the years ended December 31, 2004 and 2003, respectively.

**Proportionate Share Reimbursement Program** - During the years ended December 31, 2004 and 2003, the Facility participated in this program sponsored by the State of Michigan.

In 2004, two transactions were completed. The first transaction was in June and was recorded in revenue in relation to the State fiscal year ended September 30, 2004. The second transaction in October was for the State fiscal year ending September 30, 2005 and therefore was recognized one quarter in revenue and three quarters in deferred revenue. The first transaction included an amount equal to approximately 3 percent of the annual Medicaid reimbursement in lieu of the normal administrative adjustment or inflation factor.

In 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2003. The second transaction in October was for the State fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

# Calhoun County Medical Care Facility

## Notes to Financial Statements December 31, 2004 and 2003

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Service Revenue** - The Facility's principal activity is operating a long-term health care facility for the elderly. Revenue is derived from participation in Medicaid and Medicare programs, as well as from private pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by the third-party payors, and make up a significant portion of revenue earned during each year, as follows:

	2004	2003
Percent of revenue:		
Medicaid	78 %	79 %
Medicare	7 %	5 %

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Medicaid reimburses the Facility for in-resident routine service costs, on a per diem basis, prospectively determined. Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes they are in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**Operating Revenues and Expenses** - The Facility's statement of revenue, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonexchange revenues, including taxes, interest, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Interest expense is reported as a nonoperating expense.

# Calhoun County Medical Care Facility

## Notes to Financial Statements December 31, 2004 and 2003

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Reclassifications** - Certain prior year classifications have been changed to correspond with 2004 classifications.

**Net Assets** - Net assets of the Facility are classified into three components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Net assets restricted by donor for specific operating activities consist of noncapital net assets that must be used for a particular purpose, as specified by contributors external to the Facility. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

### Note 2 - Deposits

The Facility's deposits are composed of the following:

	2004		2003	
	Cash	Cash Limited as to Use	Cash	Cash Limited as to Use
Deposits:				
County	\$ 1,748,529	\$ 4,878,253	\$ 770,067	\$ 4,807,502
Bank	12,552	43,508	(5,111)	41,225
Petty cash	850	-	850	-
Total	<u>\$ 1,761,931</u>	<u>\$ 4,921,761</u>	<u>\$ 765,806</u>	<u>\$ 4,848,727</u>

**Cash - County Treasurer** - These funds were under the control of the County Treasurer, who deposited these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits.

**Cash - Bank** - The federal depository insurance coverage pertains to all the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits is not determinable.

# Calhoun County Medical Care Facility

## Notes to Financial Statements December 31, 2004 and 2003

### Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	<u>2004</u>	<u>2003</u>
Resident accounts receivable	\$ 902,527	\$ 775,000
Uncollectible accounts	(80,000)	(30,000)
Medicaid interim payment advances	<u>(10,321)</u>	<u>(13,007)</u>
Net resident accounts receivable	<u>\$ 812,206</u>	<u>\$ 731,993</u>

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	<u>2004</u>	<u>2003</u>
Medicare	15 %	16 %
Medicaid	50 %	68 %
Other payors	<u>35 %</u>	<u>16 %</u>
Total	<u>100 %</u>	<u>100 %</u>

### Note 4 - Taxes Receivable/Deferred Tax Revenue

Taxes are levied on December 1 and payable by February 15. The cities and townships within the County bill and collect the property taxes for the County. County property tax revenue is recognized when levied to the extent that it results in current receivables within the year budgeted by the Board to provide resources for financing budgeted expenditures. Deferred property taxes are amounts levied at December 1 of the current year, but applied to future operations. The County Medical Care Facility has voter approval to levy annually up to \$.25 per \$1,000 of assessed valuation for the purpose of general operation of the Facility through 2008.

# Calhoun County Medical Care Facility

## Notes to Financial Statements December 31, 2004 and 2003

### Note 5 - Property and Equipment

Cost of property and equipment and related depreciable lives for December 31, 2004 are summarized below:

	2003	Additions	Retirements	2004	Depreciable Life - Years
Land and land improvements	\$ 96,071	\$ 20,525	\$ -	\$ 116,596	5-20
Building	6,213,781	49,279	-	6,263,060	10-40
Equipment	1,812,761	16,836	(30,700)	1,798,897	5-10
Total	8,122,613	86,640	(30,700)	8,178,553	
Less accumulated depreciation:					
Land and land improvements	66,152	6,721	-	72,873	
Building	4,001,355	201,675	-	4,203,030	
Equipment	1,448,732	160,363	(30,700)	1,578,395	
Total	5,516,239	368,759	(30,700)	5,854,298	
Net carrying amount	\$ 2,606,374	\$ (282,119)	\$ -	\$ 2,324,255	

Cost of property and equipment and related depreciable lives for December 31, 2003 are summarized below:

	2002	Additions	Retirements	2003	Depreciable Life - Years
Land and land improvements	\$ 96,071	\$ -	\$ -	\$ 96,071	
Building	6,076,002	137,779	-	6,213,781	
Equipment	1,780,560	32,201	-	1,812,761	
Total	7,952,633	169,980	-	8,122,613	
Less accumulated depreciation:					
Land and land improvements	58,821	7,331	-	66,152	
Building	3,794,239	207,116	-	4,001,355	
Equipment	1,260,005	188,727	-	1,448,732	
Total	5,113,065	403,174	-	5,516,239	
Net carrying amount	\$ 2,839,568	\$ (233,194)	\$ -	\$ 2,606,374	

### Note 6 - Related Party Transactions

As discussed in Note 1, the Facility is a component unit of Calhoun County. To finance a renovation project of the Facility, the County issued bonds in 1992 totaling \$1,550,000. To assist with repayment, the Facility has recorded transfers to the County of \$155,000 and \$155,334 for the years ended December 31, 2004 and 2003, respectively. At December 31, 2004 and 2003, the accrued liability to the County was \$103,334.

# **Calhoun County Medical Care Facility**

---

## **Notes to Financial Statements December 31, 2004 and 2003**

### **Note 7 - Risk Management**

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for property, malpractice, workers' compensation, directors' and officers' liability, and employee health claims. The Facility is self-insured for unemployment claims.

### **Note 8 - Defined Contribution Retirement Plan**

The Facility provides pension benefits to employees who have worked an initial probationary period of 90 to 120 days through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Calhoun County, for the year ended December 31, 2004, the Facility contributed \$1.00 for each \$1.00 of voluntary contribution made by the employee up to a maximum of 5 percent of the employee's gross wages. In accordance with these requirements, the Facility contributed \$109,348 and \$108,946, and the employees contributed \$171,419 and \$145,596 for the years ended December 31, 2004 and 2003, respectively.

### **Note 9 - Endowment Funds Held by Third Parties**

The Facility is the beneficiary of a trust, which is maintained by an outside trustee, the Battle Creek Community Foundation. Income from the trust, which consists substantially of interest and dividends, is to be used for operations. The balance of the trust, which is not accounted for in the Facility's records, is \$268,663 and \$257,183 at December 31, 2004 and 2003, respectively. Income received by the Facility from the trust was \$17,900 and \$16,400 during the years ended December 31, 2004 and 2003, respectively.

## **Additional Information**

---



**Plante & Moran, PLLC**  
Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

To the Calhoun County Family  
Independence Agency Board  
Calhoun County Medical Care Facility

We have audited the financial statements of Calhoun County Medical Care Facility as of December 31, 2004 and 2003. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net service revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

February 2, 2005

# Calhoun County Medical Care Facility

## Schedule of Net Service Revenue

	Year Ended December 31	
	2004	2003
<b>Skilled Nursing Services</b>		
Daily net room revenue:		
Medicaid	\$ 6,145,020	\$ 6,044,850
Medicare	536,940	344,400
Private pay and other	1,181,507	1,236,320
Total daily net room revenue	7,863,467	7,625,570
Ancillary revenue:		
Pharmacy	95,365	58,658
Therapy services	573,210	362,520
Other ancillary services	53,865	31,364
Total ancillary revenue:	722,440	452,542
<b>Gross Skilled Nursing Services Revenue</b>	8,585,907	8,078,112
Revenue deductions:		
Provision for contractual discounts	385,269	408,834
Bad debt expense	50,000	9,097
Total revenue deductions:	435,269	417,931
<b>Net Skilled Nursing Services Revenue</b>	8,150,638	7,660,181
<b>Other Service Revenue</b>	733,198	720,743
<b>Net Service Revenue</b>	<u><u>\$ 8,883,836</u></u>	<u><u>\$ 8,380,924</u></u>

# Calhoun County Medical Care Facility

## Schedule of Operating Expenses

	Year Ended December 31			
	2004			2003
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 1,512,631	\$ 1,512,631	\$ 1,514,960
Administration	493,389	282,931	776,320	793,321
Plant operations	184,226	146,169	330,395	320,172
Utilities	-	148,768	148,768	150,160
Laundry	73,278	220,254	293,532	290,899
Housekeeping	245,591	100,598	346,189	404,621
Dietary	539,741	297,389	837,130	861,154
Medical records	118,649	22,740	141,389	141,592
Social services	93,642	414	94,056	72,960
Diversional therapy	248,316	18,706	267,022	242,783
Other ancillary services	-	34,319	34,319	18,962
Therapy services	363,545	21,430	384,975	365,533
Pharmacy	-	100,945	100,945	71,699
Nursing	2,621,508	237,056	2,858,564	2,930,475
Other services	532,999	90,515	623,514	613,333
Depreciation	-	368,759	368,759	403,174
Maintenance of effort	-	44,624	44,624	42,945
2004 totals	<u>\$ 5,514,884</u>	<u>\$ 3,648,248</u>	<u>\$ 9,163,132</u>	
2003 totals	<u>\$ 5,519,431</u>	<u>\$ 3,719,312</u>		<u>\$ 9,238,743</u>